

ADAM SMITH AND TAXES

Adam Smith, the author of *Wealth of Nations* (1776), is called the patron saint of private property, capitalism, and the free market. As Sam Fleischacker explains in an article for the *Los Angeles Times* (January 22, 2001), politicians often appeal to Smith, ignoring the fact that he argued that governments should impose taxes to pay for their services.

It is not surprising that taxes are unpopular or that politicians draw votes by promoting tax cuts. But it is reasonable to question the motives and arguments behind these appeals. Fleischacker notes that the cry, "It's your money" or "Don't let them take away your hard earned cash," ignores the fact that workers and businesses could not possibly earn or accumulate money without essential help from government or society as a whole.

My efforts will fail if I am not protected against theft and attack, if there are no decent roads to and from my firm, if environmental blight or urban decay keeps people away from my retail outlet, or if the general population is so poorly educated, ill or despairing that my firm can find no customers or good workers. In this sense, my earnings are not purely "my" money. They are the product, rather, of a collaborative effort between me and my neighbors and political officials. And I owe some of the earnings back to the society and government agencies that have helped me.

Adam Smith actually argued for a graduated income tax. He wrote:

The subjects of every state ought to contribute toward the support of the government in proportion to their respective abilities; that is, in proportion to the revenue which they respectively enjoy under the protection of the state.

Furthermore, Smith wrote that we should regard taxes not with suspicion but with pride.

Every tax is to the person who pays it a badge, not of slavery, but of liberty. It denotes that he is subject to government, indeed, but that, as he has some property, he cannot himself be the property of a master.

Finally, Fleischacker explains Smith's view of taxes and poverty: "One part of protecting liberty involves making sure that there is as little poverty as possible. Great poverty breeds crime, which interferes with everyone's liberty and of course prevents the poor themselves from having the mental or material resources to act with full freedom. Protecting freedom directly requires an investment at least in public education and public health, especially for pregnant mothers and young children." "Adam Smith has been misread for generations, and it is not news to scholars that he was a strong advocate for the poor. But it is disturbing that the silly notion that taxes are some sort of infringement on private property should be widespread two centuries after Smith died."

Make your own analysis of taxes in terms of the Jubilee vision and mandates.